

ROUTING AND RECORD SHEET

SUBJECT: (Optional) Proposed Revision of LI 45-23, Expedited Payment to Vendor
Invoices for Materiel Subject to T&I

STAT	FROM: <input type="text"/>	EXTENSION	NO.
	Acting Director of Logistics		OL 0 4448
STAT	<input type="text"/>		DATE 30 SEP 1980 STAT
STAT	TO: (Officer designation, room number, and building)	DATE	OFFICER'S INITIALS
		RECEIVED	FORWARDED
	1. Director of Finance 1212 Key Bldg.	11/	2/5/80
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	3. O-D/L <input type="text"/>	10/19/80	st
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	5. 04/P+PS Ready for publication	8/25/80	st
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Attached is a proposed revision of LI 45-23 on expedited payments of vendor invoices. Delays in payment to vendors has been an age-old problem, and we believe this revision will result in a significant improvement. The big cause for long payment delays is the fact that T&I often takes weeks and even months. The present LI authorizes vendor payment before T&I, but is very restricted in its application. With the new ground rules, expedited payment will be applied to nearly every purchase, so long as the vendor is believed to be fairly reliable and provided he submits a Certificate of Conformance guaranteeing that he has complied with contract or purchase order stipulations.

The new procedure established by this revision is not radically different from that in effect right now. It will just be used much more often (instead of 1% of the time, perhaps as much as 70%). The procurement element will "set the stage" in the procurement instrument, but the process will not be actually implemented until the receiving element receives the item and sees that the vendor has conformed, and that T&I is required. Your concurrence will be appreciated.

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(Distructured)

INSTRUCTION NO.
LI 45-23

LI 45-23
LOGISTICS
Revised 5 November 1980

SUBJECT: Expedited Payment of Vendor Invoices for Materiel
Subject to T&I

1. GENERAL

The Defense Acquisition Regulation (DAR), which the Agency follows on procurement matters to the maximum practicable extent, authorizes the employment of an expedited-payment plan for materiel acquired on certain types of purchase actions whereby vendor invoices may, under some circumstances, be paid prior to inspection and final acceptance. This instruction establishes the conditions, responsibilities, and basic procedures for the expedited-payment of vendor invoices by the Agency for materiel received that requires technical test and inspection (T&I).

2. POLICY

- a. A procurement officer will write contracts, purchase orders, and delivery orders - hereinafter referred to as procurement instruments - to initiate the expedited-payment process as authorized by DAR 14-306(c) and described in this instruction whenever the procurement officer's knowledge of the contractor's reputation or past performance gives assurance that missing or defective items will be repaired or replaced without contest and at no additional cost to the Agency. This will not apply to the [REDACTED] Items that obviously STAT do not require technical T&I may be exempted from this stipulation at the procurement officer's discretion.
- b. To initiate the expedited-payment process, the procurement instrument must contain the following provision:

Expedited-Payment Clause and Certificate of Conformance

The time required to perform acceptance testing on certain items deliverable hereunder may be lengthy. Therefore, provided the contractor includes the Certificate of Conformance as specified below with the items when delivered, the sponsor agrees to provide to the contractor expedited payments whereby the sponsor will, upon receipt of the proper invoice, pay the contractor upon delivery of items prior to inspection and final acceptance, with the understanding and agreement that the sponsor reserves the right subsequent thereto to reject any item for any defect in

INSTRUCTION NO.

LI 45-23

LI 45-23

LOGISTICS

Revised 5 November 1980

material or workmanship or nonconformance with the specifications or other requirements hereunder. The Contractor agrees to correct or replace all items rejected within a reasonable time after rejection at no additional cost to the sponsor.

In order to qualify for expedited payment as stipulated above, the contractor must attach to or enter on the documents accompanying the shipment a Certificate of Conformance reading as follows:

"I hereby certify that on _____ the
(Date)
_____ provided the supplies
(Contractor's Name)
called for by _____ via
(Requisition Number)
_____ on _____
(Carrier) (Bill of Lading
in accordance with
or Shipping Document)

all applicable requirements for shipment. I further certify that the supplies are in all respects in conformance with the contract requirements, including specifications and/or drawings, preservation, packaging, packing and marking requirements, and physical item identification (part number), and in the quantity shown on this or the attached acceptance document.

Date of Execution

Signature

Title _____

- c. Upon receipt of materiel from the contractor, the receiving activity will activate the expedited-payment process when all of the following three conditions are met. (The procurement activity's action described in paragraphs a and b above has merely "set the stage" for possible expedited payment)
- (1) The procurement instrument contains the Expedited-Payment provision.
 - (2) The contractor's documents accompanying the materiel contains the Certificate of Conformance.
 - (3) The materiel requires T&I.

INSTRUCTION NO.
LI 45-23

LI 45-23
LOGISTICS

Revised 5 November 1980

- d. The Office of Finance (OF) will make payment upon receipt of a preliminary receiving report (R/R) prepared for items that have been received but for which T&I has not yet been performed (these are readily identified by a stamped annotation on the R/R described in a later paragraph).
- e. Receiving activities will be responsible for the control and follow-up of property in process of T&I for which the preliminary R/R has been prepared and forwarded to OF for payment.

3. PROCUREMENT ELEMENT PROCEDURES

- a. Include the provision specified in paragraph 2b in the procurement instrument whenever the conditions stated in paragraph 2a have been satisfied. Do not stamp or mark the procurement instrument "expedited payment."
- b. File both the preliminary R/R (see paragraph 4b below) and validating R/R (paragraph 4d below) received from in the Procurement Action File. An expedited-payment file may not be closed out until a validating R/R is present for all items of materiel of the procurement instrument covered by the expedited-payment provision.

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4. RECEIVING ACTIVITY PROCEDURES

- a. When materiel is received from a vendor, if all three conditions specified in paragraph 2c above are not met, normal receiving is performed and the expedited-payment process is not carried through.
- b. If the three conditions are met, receiving activities will visually inspect all items, or containers, for physical damage and to verify quantity, completeness, and proper identification. If this initial inspection is passed satisfactorily, a preliminary R/R is prepared in two copies, annotated "Materiel Subject to T&I," and stamped "EXPEDITED PAYMENT" in large block letters in a conspicuous color or reproducible ink.

(Note: Direct-delivery recipients (as authorized in LI 45-17, Direct Deliveries by Commercial Vendors) will not annotate preliminary R/R's as described above but, instead, will forward them to with a note attached stating that this is an expedited-payment preliminary R/R, and will make the proper annotations.)

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INSTRUCTION NO.
LI 45-23

LI 45-23
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- c. ☐ will forward one copy of the preliminary R/R immediately to Audit and Certification Division, OF, to permit payment upon receipt of the vendor's billing invoice in accordance with the expedited-payment clause of the procurement instrument. ☐ will forward the second copy to the procurement activity for insertion in its Procurement Action File. This second copy is sent directly to this file in all cases, not via the Supply Management Branch, Supply Division (SD/SMB), as is normally done for stock replenishments.
- d. After items have been processed through T&I, a validating R/R is prepared. If all materiel is accepted, the receiving activity will annotate "Accepted." If any materiel is rejected, it will annotate the R/R "Rejected" and specify the line item(s) and quantity(s) rejected. On an R/R containing a mixture of accepted and rejected materiel, all materiel not specifically rejected is, automatically, presumed accepted. ☐ will then make routine dissemination of the validating R/R. (Again, direct-delivery recipients will forward their R/R's via ☐)
- e. Receiving activities will follow up items in process of T&I and resolve discrepancies resulting from acceptance-testing rejections in accordance with LI 45-6, Receiving Discrepancy Policy and Procedures.

5. INVENTORY CONTROL SYSTEM (ICS) PROCEDURES

- a. Direct Procurement Items - After visual inspection is passed and the preliminary R/R is prepared, ☐ will input the receiving action to ICS, identifying which facility is performing the T&I. Upon successful completion of the T&I, a second ICS entry is made showing the date T&I was completed. T&I status can be learned at any time by a query to ICS.
- b. Stock Replenishment Items - ICS procedures for expedited-payment transactions are identical to those for normal receivings. There will be no ICS input before completion of T&I (because prior input would result in automatic back-order releases before the materiel is ready for issue). Thus, SD/SMB will make the receiving ICS input upon receipt of the validating R/R from ☐ (SD/SMB is not advised of preliminary receiving but can learn of it by checking the Procurement Action Files.) There will be no ICS

INSTRUCTION NO.
LI 45-23


LI 45-23
LOGISTICS

Revised 5 November 1980

entry to reflect T&I status. In lieu thereof, [] will maintain manual records to reflect in-and-out T&I status. (NAR transactions will also use manual records to reflect T&I status.)

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 []
James H. McDonald
Director of Logistics

CONCUR:

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Director of Finance

3 Nov 1980
Date

Approved For Release 2003/08/20 : CIA-RDP83-00957R000100020014-1

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LOGISTICS
Revised 5 November 1980

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ADMINISTRATIVE - INTERNAL USE ONLY

INSTRUCTION NO.
LI 45-23LI 45-23
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Date of Execution _____

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LI 45-23

LI 45-23
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Revised 5 November 1980

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LI 45-23

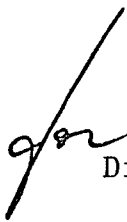

LI 45-23
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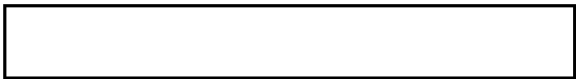
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James H. McDonald
Director of Logistics

CONCUR:

STAT


Director of Finance

3 Nov 1980
Date